NATCA Contract: The Need for Fundamental Reform

As the FAA reexamines its financial structure, it must scrutinize all of its expenses, including labor rates, because cost control is a key part of responsible management. One area of focus will be obtaining a more balanced agreement with the air traffic controllers union, NATCA, whose existing contract, first signed in 1998, expires in September 2005. With negotiations beginning in mid-July, the agency's objective is to work with NATCA to obtain a new contract that serves the taxpayers well and acknowledges the critical work that controllers do. The stakes for FAA stakeholders could not be higher, given the precedent these talks will set, the recent growth in FAA's operations budget (most of which goes to payroll), and the urgent need to identify more funding for system safety and modernization.

What was promised in 1998?

Ordinarily, federal agencies may negotiate with their unions only over working conditions and other non-economic items. The 1998 agreement with NATCA, however, came on the heels of Congress' adoption of "personnel reform" for the FAA two years earlier; the 1996 FAA reauthorization permitted the agency to bargain with its employees over pay and benefits in creating a new personnel system. When the contract was signed, it was announced by the prior Administration as an "historic labor agreement" and "new partnership" that would be "fair to controllers, fair to the FAA, and fair to the taxpayers." The agreement was supposed to increase productivity by allowing controllers to take on additional work (training, briefing, quality assurance, and even limited supervisory duties) and by creating "incentives to reward meeting safety and performance goals." Although ATC facilities and corresponding controller pay bands would be reclassified "to ensure compensation reflects differing degrees of complexity in controlling airplanes at vastly different airports," the total tab for taxpayers was projected to be just $200 million over three years -- offset with *"internal savings"* generated through greater efficiency and productivity and a reduction in supervisor ranks. Unfortunately, at the time the contract was signed, the FAA did not have an effective cost accounting system to project costs!

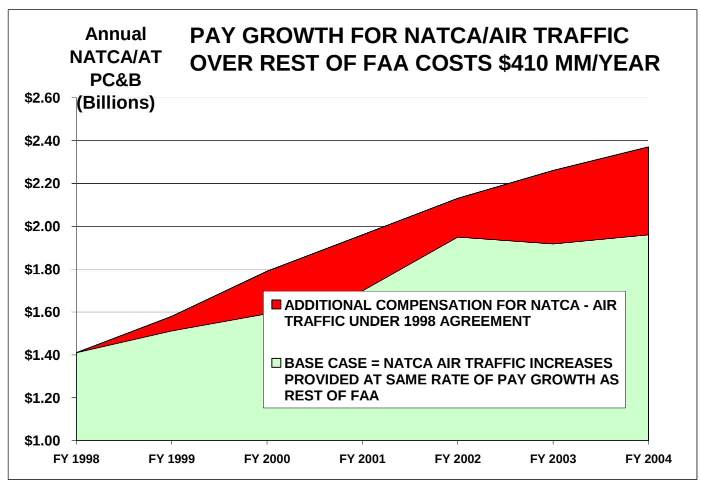
"Fair to Controllers, Fair to the FAA, and Fair to the Taxpayers"

What really happened?

The contract, along with dozens of side agreements signed in the prior Administration, vastly increased the agency's costs, made the air traffic organization inefficient in several respects, and fostered a sense of 'inequity' among the rest of the workforce over compensation practices.

Cost escalation

- Over its first three years the contract actually cost ***$1.1 billion***, not $200 million as advertised.
- With the compounding effect of contractually-mandated annual raises, average controller compensation has increased 68 % over 6 years.
- NATCA increases were disproportionate to the rest of government, including the FAA. If controller pay hikes had simply been in line with the rest of the FAA, its annual operating budget would be at least $410 million less per year.
- Total annual compensation for NATCA/Air Traffic went from $1.4 billion in 1998 to $2.4 billion in 2004, while the number of controllers remained nearly flat at around 15,000.
- Supervisory staff did not decrease as promised.

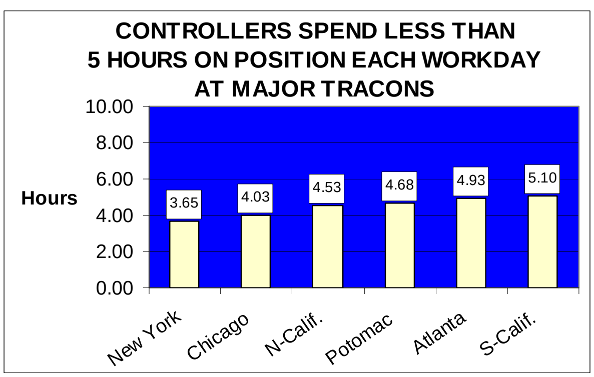


Much of this cost increase was driven by the largely unnecessary reclassification of ATC facilities, replacing five pay grades with a new pay system rewarding controllers for the complexity of the facility where they happen to be, not the *actual traffic* they control. The result was big raises for most controllers and a financial windfall whenever the FAA consolidated facilities. Controllers' share of overall labor spending at the agency also jumped from 35 to over 40%, taxing the rest of the FAA's budget and the Aviation Trust Fund.

Loss of Managerial Flexibility

In the 1998 contract the FAA gave up key management rights by bargaining over many "permissive" subjects – that is, matters where the employer otherwise has unilateral ability to make decisions necessary to save taxpayer dollars. The national agreement and local side deals set staffing minimums and tied the agency's hands with respect to the basic watch schedule and work assignments. As a consequence, at many locations, NATCA representatives, not agency managers, set the work schedule, encouraging excessive overtime and other premium pay. Restrictions were placed on part-time employment. The contract allows excessive amounts of union "official time" (many times the government average) and similar kinds of paid non-productive time. At many facilities controllers manage traffic less than five hours a day. . . And NATCA -- not the U.S. government -- sets employee seniority.

Moreover, the agency also bound itself to negotiate with the union whenever the FAA introduces new technologies into the national airspace system (NAS). This practice has led to expensive delays in their implementation and costly and arbitrary customization of the systems to suit NATCA preference at each facility. What's more, the contract contained an "evergreen" clause that, according to the Union, continues the agreement's effectiveness until a new deal is signed. The net result – an FAA that is far less efficient than it might otherwise be.



Pay Inequity

The NATCA pact created a widespread sense of unfairness among the rest of the FAA workforce. Managers in Air Traffic saw controller pay leap ahead of theirs, with the total compensation of the *average* controller going from $95,400 in FY 1998 to $165,400 in FY 2005. In fact, most controllers now enjoy base salaries that would put them in the second highest pay band for FAA managers, making it difficult for the FAA to implement much needed personnel reform including such measures as performance-based pay. This fiscal year some 1300 controllers will enjoy total compensation of at least $200,000.

Controller Pay Is Now Excessive
by Any Standards for Public Servants

Avg. Earnings of Various Federal Employees
EXCLUDING BENEFITS

Vice President	$ 208,700
Associate Justice – U.S. Supreme Court	$ 199,200
Top 100 FAA Controllers	***$ 197,000***
Cabinet Secretary	$ 180,100
Congressman / U.S. District Judge	$ 162,100
FAA Administrator	$ 162,100
Air Force One Pilot-in-Command	$ 137,400
Top 100 Aviation Safety Inspectors	$ 133,300

NATCA members also received annual pay hikes far above those enjoyed by millions of other federal civil servants, and they got substantial raises even when pilots, mechanics and flight attendants in the airline industry – the Air Traffic Organization's single largest customer -- accepted large pay cuts. Controller salaries far exceed those of safety professionals who put their lives on the line every day, like policemen and firefighters. Many controllers make more than Members of Congress, the Administrator, and federal judges.

What Must Be Accomplished Now?

The FAA's fiscal outlook has weakened considerably in the last few years, as falling airfares have cut into ticket tax contributions to the Aviation Trust Fund, relied on for much of FAA financing. But with the opening of negotiations with NATCA, the agency has a window of opportunity to obtain a new agreement that strikes a more logical balance between the needs of the union and the priorities of the taxpayers.

Like the airlines it regulates, the FAA must put its own financial house in order, which means having:

- an affordable long-term ATC pay structure
- managerial control over basic operational issues at air traffic facilities, and
- compensation practices that support a truly performance-based organization.

If the agency is to fund necessary improvements in system safety and on-time performance – hiring the safety inspectors we need, and acquiring new technologies. Clearly, the NATCA contract needs to be reformed.